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Thailand

Grain and Feed

Crop Update

2008

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Report Highlights:

Rice and corn production will likely be higher than expected due to acreage expansion and yield increases. Exports of corn and rice are revised up due to limited supplies among major competitors, particularly in the first half of the year. High intervention prices of off-season rice crops will result in higher Government stock, which could reach 3 million tons by the end of the year.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Bangkok [TH1]
[TH]

1. Corn Update

Corn production higher than expected

MY 2008/09 corn production is estimated at 4.0 million tons, up slightly from the previous forecast, and up 4 percent from the previous year, due to acreage expansion primarily in the depleted forest areas of the north. Corn acreage expansion in the northern mountains will likely outpace a reduction in corn cultivation in the central and the northeast where corn has been replaced by tapioca. Off-season corn cultivation is expected to increase significantly in central Thailand at the expense of sugarcane in response to high corn prices which are up 30-40 percent from the previous year at \$306/MT. Meanwhile, average yields should increase slightly to 3.92 tons/hectare as yield improvements in the central area are offset by below-average yields in the north, particularly in the mountain areas.

Increased corn imports from Laos

Corn imports are expected to continue increasing, particularly from Laos and Cambodia under the Joint Economic Cooperation Strategy Program, or Ayeyawady-Cho Phraya-Mekong Economic Cooperation Strategy (ACMECS), which is an economic cooperation agreement between Burma, Laos, Cambodia, Vietnam, and Thailand. Imports of corn from these countries are duty free. At the moment, Thai corn imports come primarily from the ACMECS countries. Based on strong demand for animal feed, MY 2008/09 corn imports will likely increase to 500,000 tons.

Thai corn traders continue to contract farm in Laos where Laotian corn traders promote contract farming with rural farmers. Laotian producers normally use hybrid seeds mostly supplied by the Thai company CP seed (Charoen Pokphand Group). Average yields are expected to be nearly double Thai corn yields due to soil fertility in the newer production areas. In addition to trade with ACMECS countries, a Korean investor is setting up a storage facility with an estimated capacity of 10,000 tons/year for exporting Laotian corn to Korea.

Upward trend in corn exports

MY 2008/09 corn exports will likely increase to 700,000 - 800,000 tons in anticipation of strong import demand from Asian countries, particularly Malaysia and Indonesia. In July 2008, Thai corn exports to Malaysia increased significantly due to India's corn export ban. Export prices surged to \$370/MT, FOB, as compared to an average of \$260/MT in the previous year.

2. Rice Update

Record increase in off-season rice production

According to the latest official forecast of the Thai Agricultural Ministry, MY 2007/08 off-season rice production has been revised up to 8.8 million tons, up significantly from last year's 6.8 million tons, due to acreage expansion and yield improvement. Planted areas are estimated to increase to 12.8 million rai (2 million hectare), up 27 percent from the previous year. The increase reflects attractive farm gate prices, which reached a record 13,000 baht/ton (\$394) in April 2008 when the first crop of off-season cultivation was harvested. Farmers continued third

crop cultivation with a sharp increase in planted area to 3.4 million rai (0.5 million hectares), as compared to 1.2 million rai (0.2 million hectares) in the previous year. Presently, farm-gate prices have dropped significantly following the Vietnamese Government removal of its rice export ban in July 2008. The anticipated surplus of off-season rice production will likely be absorbed by the Government intervention program as the off-season crop intervention prices were set at 14,000 baht/ton (\$424) of paddy.

Rice exports at a record 10 million tons

Thai rice exports in 2008 are estimated to increase to 10 million tons despite an anticipated contraction in the second half of the year. During January – July 2008, rice exports totaled 6.9 million tons. Rice exports for the rest of the year will likely level off to a monthly average of 500,000 – 600,000 tons, as compared to an average of a million tons during the first seven months of the year. The contraction reflects competition from relatively cheaper Vietnamese rice. Vietnamese rice export prices are presently \$100-\$200/MT lower than Thai rice prices. In addition, the Indian Government is expected to allow non-basmati rice exports by October. As a result, Indian parboiled rice export prices will be \$200-\$300/MT lower than Thai parboiled rice.

Anticipated higher government stocks

After a sharp reduction in old-crop intervention stocks from approximately 4 million tons in the beginning of 2007 to 2.1 million tons in the beginning of 2008, the government intervention stocks should begin increasing to 3-5 million tons by the end of this year due to attractive intervention program prices (MY 2007/08 off-season crops) and a coming intervention program for the next crop (MY2008/09 main crop). Current intervention prices are set at 14,000 baht/tons (\$424) for white rice paddy, far above market prices which are presently at 10,000 – 11,000 baht/ton (\$303 - \$333). In addition, the next intervention program for MY 2008/09 main crop has been proposed with higher intervention prices at 15,000 baht/ton (\$455) for white rice paddy, and up to 19,000 baht/ton (\$576) for fragrant rice paddy. However, the Government plans to release all old-crop stocks for exports in September which should keep carry-over intervention stocks at 3.0 million tons.

End of report